

Message Text

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ACTION EUR-12

INFO OCT-01 IO-13 ISO-00 PA-01 PRS-01 USIA-06 CIAE-00
COME-00 EB-08 INR-07 LAB-04 NSAE-00 SIL-01 /054 W
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R 211751Z JAN 77
FM AMEMBASSY BONN
TO SECSTATE WASHDC 4953
INFO AMCONSUL BREMEN
AMCONSUL DUSSELDORF
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AMCONSUL STUTTGART
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AMEMBASSY MADRID
AMEMBASSY BUDAPEST

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E.O. 11652: N/A

TAGS: ELAB, GW

SUBJECT: CONTRACT TALKS IN FRG METAL INDUSTRY ARE
STALLED

REF: (A) BONN 20595 (76); (B) BONN 19073 (76);
(C) BONN 0831-(NOTAL)

SUMMARY: COLLECTIVE BARGAINING SESSIONS INVOLVING
OVER 2 MILLION METAL WORKERS IN 3 FRG LAENDER HAVE
ENDED IN DEADLOCK. DGB METALWORKERS UNION (IG
METALL) ANNOUNCED THAT "THE HOUR OF A POSSIBLE STRIKE
HAS COME VERY CLOSE." AT ISSUE ARE UNION WAGE DEMANDS
AVERAGING 9.5 PERCENT WHILE EMPLOYERS OFFER ONLY
BETWEEN 5 AND 5.25 PERCENT. BOTH SIDES CLAIM FURTHER
CONCESSIONS ARE OUT OF THE QUESTION. ISSUE NOW
UNDER VOLUNTARY ARBITRATION. END SUMMARY.

1. LABOR CONTRACTS COVERING ABOUT 4 MILLION BLUE
COLLAR AND SALARIED EMPLOYEES IN THE METAL MANUFACTUR-
ING, MACHINE CONSTRUCTION, ELECTRICAL EQUIPMENT AND
AUTOMOTIVE INDUSTRIES EXPIRED EFFECTIVE DECEMBER 31,
1976. NEGOTIATIONS FOR NEW CONTRACT BETWEEN EMPLOYERS AND THE
IG METALL, THE DGB'S LARGEST INDUSTRIAL UNION, ARE
CONDUCTED ANNUALLY ON A REGIONAL BASIS AND GENERALLY SET THE
PRECEDENT FOR LABOR SETTLEMENTS THROUGHOUT THE COMING
YEAR. THIS YEAR, THE NEGOTIATING POSITIONS OF
EMPLOYERS AND THE UNION ARE EXTRAORDINARILY FAR APART
(WITH EMPLOYERS OFFERING 5 TO 5.25 PERCENT AND UNIONS
DEMANDING 9.5 PERCENT) AND FACE-TO-FACE TALKS HAVE
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FAILED TO NARROW THE GAP SIGNIFICANTLY.

2. THE FIRST REGIONAL BARGAINING ROUND OPENED IN
NORDRHEIN-WESTFALEN ON DECEMBER 22, 1976. NEGOTIATIONS
WERE POSTPONED SHORTLY THEREAFTER AFTER IG METALL
REJECTED AN OFFER OF A 4.75 PERCENT WAGE INCREASE. IN
THE SECOND ROUND ON JANUARY 10-11, MANAGEMENT RAISED
ITS BID TO 5.25 PERCENT WHICH UNION NEGOTIATORS ALSO
REJECTED. THE UNION THEN OFFERED TO REDUCE ITS
DEMAND TO 8.5 PERCENT, PROVIDED THE EMPLOYERS WERE
ALSO MORE FORTHCOMING. EMPLOYERS REPRESENTATIVES RE-
FUSED. THE NEGOTIATIONS WERE SUBSEQUENTLY DECLARED
DEADLOCKED AND BECAME SUBJECT TO VOLUNTARY ARBITRA-
TION. IN BADEN-WUERTTEMBERG, THE UNIONS DEMANDED A
FLAT INCREASE OF DM 50 PER MONTH PLUS AN ADDITIONAL
7 PERCENT WAGE HIKE (EQUIVALENT TO AN AVERAGE OF
9.5 PERCENT, BUT WEIGHTED IN FAVOR OF THE LOWER INCOME
GROUPS). ON JANUARY 11, THE UNION DECLARED A FAILURE
OF NEGOTIATIONS AFTER THE EMPLOYERS REFUSED TO BUDGE

FROM THEIR OFFER OF 5 PERCENT. IN HESSEN, NEGOTIATIONS STALLED IN THE SECOND ROUND ON JANUARY 10 AFTER THE UNION CATEGORICALLY REFUSED TO REDUCE ITS DEMAND OF 9.5 PERCENT.

3. CONCILIATION BOARDS (COMPOSED OF UNION AND EMPLOYER REPRESENTATIVES UNDER A NEUTRAL CHAIRMAN) WILL BEGIN MEETING SHORTLY, STARTING WITH NORDRHEIN-WESTFALEN ON JANUARY 21. PROCEEDINGS USUALLY TAKE 2 TO 3 WEEKS. BOTH PARTIES ARE FREE TO ACCEPT OR REJECT THE

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CONCILIATION PROPOSAL, BUT THE UNION IS BOUND TO
MAINTAIN INDUSTRIAL PEACE IN THE INTERIM.

4. THE PUBLIC EXCHANGE OF ARGUMENTS BETWEEN THE UNION
AND EMPLOYERS ACCOMPANYING THIS ROUND OF COLLECTIVE
BARGAINING HAS BEEN MARKED BY UNUSUAL SHARPNESS.
ON JANUARY 12, AFTER NEGOTIATIONS IN ALL 3 LAENDER
BECAME DEADLOCKED, IG METALL'S VICE PRESIDENT HANS
MAYR TOLD THE PRESS THAT "THE HOUR OF A POSSIBLE STRIKE
HAS COME VERY CLOSE." THIS STATEMENT, ALTHOUGH
VERY CAREFULLY WORDED, IS INDICATIVE OF THE GROWING
DISSATISFACTION IN UNION QUARTERS WITH THE ACTION OF
THE GOVERNMENT AS WELL AS WITH EMPLOYERS. IG METALL
SHOWED DELIBERATE RESTRAINT IN 1976 IN SUPPORT OF THE
GOVERNMENT'S ECONOMIC PROGRAM AIMED AT CREATING NEW
JOBS THROUGH HIGHER PROFITS AND INCREASED INVESTMENTS.
LABOR SPOKESMEN (INCLUDING DGB PRESIDENT VETTER --
SEE REF A) HAVE STRESSED THE FACT THAT, IN SPITE OF
THEIR RESTRAINT, THE DROP IN UNEMPLOYMENT WAS INSIGNI-
FICANT WHILE PROFITS IN THE METAL INDUSTRY ROSE OVER
20 PERCENT. THIS YEAR, REPRESENTATIVES OF THE VARIOUS
UNIONS HAVE SAID THAT THEY WILL DEMAND THEIR "FULL
SHARE OF PRODUCTIVITY GROWTH" WHICH SHOULD IMPROVE THE
ECONOMIC SITUATION, THEY SAY, BY INCREASING PRIVATE
CONSUMPTION, THEREBY STIMULATING DEMAND AND GENERATING
NEW JOBS.

5. ON THE OTHER SIDE OF THE TABLE, THE EMPLOYERS
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CLAIM THAT THE AVERAGE 5.4 PERCENT INCREASE THE UNIONS WON LAST YEAR ACTUALLY PROVIDED A REAL WAGE INCREASE OF ABOUT 1 PERCENT. EMPLOYERS ALSO POINT TO THE ADDITIONAL FRINGE BENEFITS RENEGOTIATED IN THE FALL OF 1976 AND EFFECTIVE JANUARY 1, 1977 BETWEEN IG METALL AND THE NATIONAL METAL EMPLOYERS' CONFEDERATION (SEE REFTTEL B). ACCORDING TO EMPLOYER CALCULATIONS, THESE ADDITIONAL BENEFITS -- INCREASES IN THE CAPITAL SAVINGS PLANS AND CHRISTMAS BONUS AND ADDITION OF ONE EXTRA DAY OF ANNUAL LEAVE -- ARE EQUIVALENT TO A WAGE HIKE OF 2.25 PERCENT. MANAGEMENT IS OF THE VIEW THAT THE VALUE OF THESE BENEFITS MUST BE ADDED TO ITS OFFER OF 5 OR 5.25 PERCENT IN NEGOTIATIONS, A POINT THE UNION HAS VEHEMENTLY REFUSED TO ACCEPT.

6. COMMENT: MENTION OF A STRIKE POSSIBILITY BY MAYR AND OTHERS IS NOT TO BE TAKEN VERY SERIOUSLY, AT LEAST NOT YET. THE CONCILIATION BOARDS HAVE YET TO MEET AND THEIR PROPOSALS ARE LIKELY TO SET THE STAGE FOR FURTHER TALKS AND PERHAPS ANOTHER ROUND OF CONCILIATION. WHAT IS MOST SIGNIFICANT IS THAT THE UNIONS HAVE MENTIONED THE POSSIBILITY OF A STRIKE AT ALL AT THIS STAGE OF THE NEGOTIATIONS. THE NEGOTIATING TEAMS OF UNIONS AND EMPLOYERS BOTH SHOWED AN UNUSUAL SENSE OF IMPATIENCE THIS YEAR AND SOON BECAME DEADLOCKED, WITHOUT EVEN MAKING A SERIOUS ATTEMPT TO NARROW THE GAP BETWEEN UNION DEMANDS AND MANAGEMENT OFFERS. THE WIDE GAP WHICH NOW EXISTS WILL MAKE IT DIFFICULT FOR EVEN AN EXPERIENCED ARBITRATOR TO FIND A MUTUALLY ACCEPTABLE COMPROMISE. NEVERTHELESS, THERE IS CERTAINLY A DEGREE OF POSTURING ON BOTH SIDES OF THE TABLE (SEE REFTTEL C) AND A SUBSTANTIAL REPUDIATION OF LABOR'S PAST PATTERN OF MODERATION DOES NOT SEEM LIKELY AT THIS POINT.

NEGOTIATIONS IN THE METAL INDUSTRY ARE BEING WATCHED

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CLOSELY IN ALL PARTS OF THE FRG, SINCE WHAT HAPPENS

HERE -- IN THE FIRST MAJOR NEGOTIATIONS OF THE NEW YEAR -- SETS THE TONE AND, INDEED GUIDES THE LEVEL OF FUTURE SETTLEMENTS IN OTHER INDUSTRIES. THE UNION REPRESENTING PUBLIC EMPLOYEES (OETV) IS WATCHING ESPECIALLY CLOSELY, SINCE ITS NEGOTIATIONS WITH THE GOVERNMENT ARE SLATED TO BEGIN IN FEBRUARY. IN THE PAST, IG METALL USUALLY FOCUSED ITS EFFORTS ON THE NEGOTIATIONS IN BADEN-WUERTTEMBERG BECAUSE THE PROSPEROUS AUTOMOBILE INDUSTRY DOMINATING THE METAL INDUSTRY IN THIS REGION PROVED TO BE MORE SENSITIVE TO STRIKE THREATS AND, THEREFORE, MORE WILLING TO COMPROMISE. AFTER A SETTLEMENT WAS REACHED, THE OTHER REGIONS HAD PRACTICALLY NO OTHER CHOICE THAN TO ACCEPT SIMILAR SETTLEMENTS. THIS YEAR, THE UNION HAS CONCENTRATED ON NORDRHEIN-WESTFALEN AND, THEREFORE, A UNION STRIKE THREAT MUST BE TAKEN MORE SERIOUSLY THAN IN PREVIOUS YEARS SINCE A LARGE NUMBER OF METAL FIRMS IN NORDRHEIN-WESTFALEN ARE OPERATING WITH A LOW PROFIT MARGIN AND THUS ARE MORE LIKELY TO ATTEMPT TO WITHSTAND UNION PRESSURE.

ON THE SUBJECT OF OVERALL WAGE DEVELOPMENTS FOR 1977, OFFICIALS IN THE ECONOMICS MINISTRY TELL US PRIVATELY THAT AN AVERAGE NEGOTIATED WAGE SETTLEMENT IN THE 6-7 PERCENT INCREASE RANGE WOULD PROBABLY STRIKE THE RIGHT MACROECONOMIC BALANCE. REPRESENTATIVES OF THE INDUSTRIAL ASSOCIATION CONFIDE TO US THAT THEY COULD LIMITED OFFICIAL USE

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GO TO THE 7-8 PERCENT RANGE. NOT TO BE OVERLOOKED IS THE IMPORTANT FACT THAT INFLATION HAS MODERATED SINCE THE PREVIOUS ROUND BY PRACTICALLY TWO FULL PERCENTAGE POINTS, SO THAT EVEN IF LAST YEAR'S 5.5 TO 6.0 SETTLEMENT PATTERN WERE FOLLOWED, THE REAL GAIN WOULD BE HIGHER. STOESEL

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Disposition Date: 22 May 2009
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